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**LAFAYETTE NEIGHBORHOODS'
ECONOMIC DEVELOPMENT
CORPORATION
Lafayette, Louisiana**

**Financial Report
Years Ended April 30, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

FEB 01 2012

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Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

We have audited the accompanying statements of financial position of the Lafayette Neighborhoods' Economic Development Corporation (LNEDC) (a nonprofit corporation) as of April 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lafayette Neighborhoods' Economic Development Corporation as of April 30, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 2011 on our consideration of the Lafayette Neighborhoods' Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 13, 2011

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LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Financial Position
April 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 354,396	\$ 317,425
Loans receivable (net)	539,958	443,013
Accrued interest receivable	21,728	38,792
Rents receivable	16,665	-
Other receivables	26,124	29,033
Prepaid expenses	22,986	-
TOTAL CURRENT ASSETS	981,857	828,263
PROPERTY AND EQUIPMENT		
Buildings	1,500,000	-
Less: accumulated depreciation	(27,273)	-
	1,472,727	-
TOTAL ASSETS	\$ 2,454,584	\$ 828,263
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable	\$ 19,642	\$ -
Accounts payable	6,485	2,500
Tenant deposits	8,865	-
Due to affiliated organization	105,895	105,290
TOTAL CURRENT LIABILITIES	140,887	107,790
NET ASSETS		
Permanently restricted	2,313,697	720,473
TOTAL LIABILITIES AND NET ASSETS	\$ 2,454,584	\$ 828,263

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities
Years Ended April 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
PERMANENTLY RESTRICTED NET ASSETS		
Revenue:		
Governmental grants	\$ -	\$ -
Interest:		
Loans	96,836	63,737
Investments	292	374
Rents:		
Residential	158,549	-
Retail	26,620	-
Other	<u>6,264</u>	<u>2,350</u>
Total support and revenue	<u>288,561</u>	<u>66,461</u>
Expenses:		
Support services -		
Management and general	<u>233,816</u>	<u>8,490</u>
Increase in permanently restricted net assets	54,745	57,971
Net assets, beginning	<u>720,473</u>	<u>662,502</u>
Contributed assets	<u>1,538,479</u>	<u>-</u>
Net assets, ending	<u>\$ 2,313,697</u>	<u>\$ 720,473</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Cash Flows
Years Ended April 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 54,745	\$ 57,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,273	-
Change in loans receivable	(96,945)	35,639
Change in other receivables	2,819	(27,390)
Change in accrued interest receivable	17,064	(3,745)
Change in rents receivable	(16,665)	-
Change in prepaids	(22,986)	-
Change in accounts payable	3,985	(700)
Change in deposits	8,865	-
Change in due to affiliated organization	695	194
Net cash provided (used by) operating activities	<u>(21,150)</u>	<u>61,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in notes payable	<u>19,642</u>	-
Net cash provided by investing activities	<u>19,642</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributed	<u>38,479</u>	-
Net cash provided by financing activities	<u>38,479</u>	-
Net increase in cash	36,971	61,969
CASH AND CASH EQUIVALENTS, beginning of year	<u>317,425</u>	<u>255,456</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 354,396</u>	<u>\$ 317,425</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lafayette Neighborhoods' Economic Development Corporation (LNEDC) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The LNEDC operates as a component unit of the Lafayette Consolidated Government who provides oversight to the program.

In November 2011, ownership of real estate (Evangeline Hotel) was transferred in satisfaction of a note receivable held by LNEDC. The operations of the Evangeline Hotel are separately reflected in the attached combining financial statements. See NOTE 8 for more information.

Nature of Activities

The LNEDC was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate-income neighborhoods by stimulating greater private capital investment in these target areas. To accomplish this goal, the LNEDC provides financing to new and expanding small businesses in Lafayette. The organization is exempt from income taxes.

Evangeline Hotel is a rental building located in the downtown Lafayette, Louisiana. The building is used to lease ground level space to various retail businesses, while upper levels are rented to individuals as residential space. The individuals renting the residential space must meet various low income housing requirements.

Significant Accounting Policies

A. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

B. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-offs. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

C. Expenses

Revenue and expenses are recognized on the accrual basis.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Statement of Cash Flows

For purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

E. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Subsequent Events

In May 2009, the FASB issued ASC 855 Subsequent Events which establishes general standards for accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Management has evaluated events subsequent to the balance sheet through December 13, 2011, the date the financial statements were available to be issued.

NOTE 2 LOANS

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisition. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities in the loan accounts for the years ending April 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning	\$ 535,711	\$ 552,993
Loans made	197,219	81,211
Payment received	(91,019)	(102,930)
Collection of loans previously written off	<u>1,706</u>	<u>4,437</u>
Balance, ending	<u>\$ 643,617</u>	<u>\$ 535,711</u>

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 2 LOANS (CONTINUED)

The following is an analysis of the allowance for loan losses:

	<u>2011</u>	<u>2010</u>
Balance, beginning	\$ 92,698	\$ 74,341
Collection of loans previously written off	1,706	4,437
Increase in provision for loan losses	<u>9,255</u>	<u>13,920</u>
Balance, ending	<u>\$ 103,659</u>	<u>\$ 92,698</u>

NOTE 3 COMPENSATION OF BOARD OF DIRECTORS

Members of the Board of Directors were not paid per diem or other compensation during the years ended April 30, 2011 and 2010.

NOTE 4 RELATED-PARTY TRANSACTIONS

The Sterling Grove Housing Development, Inc. has the same Board of Directors as LNEDC. During the year ending April 30, 1992, Sterling Grove Housing Development, Inc. received approval for a maximum \$1,296,300, Department of Housing and Urban Development, Section 202 loan to construct a 36-unit elderly housing complex. LNEDC is the sponsor of this housing project.

During the year ended April 30, 1999, LNEDC and the Lafayette City-Parish Consolidated Government (LCPCG) entered into a revised grant agreement. The agreement calls for the LCPCG to provide \$200,000 to LNEDC to be used for loans and an additional \$17,000 to be used for administrative purposes. Additionally, this agreement allows LNEDC to retain 100% of the annual interest earned on loans and deposits to be used for administrative costs which are in direct support of CDBG, eligible economic development activities.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Organization provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of each customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 6 UNINSURED DEPOSITS

LNEDC maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. However, LNEDC has securities pledged to cover any cash balances not insured by FDIC insurance. At April 30, 2011 and April 30, 2010, the market value of the pledged securities plus the federal deposit insurance equal or exceeded the amount on deposit with the bank.

NOTE 7 DUE TO AFFILIATED ORGANIZATION

During the year ended April 30, 1997, LNEDC entered into a joint venture with the Downtown Development Authority (DDA) to establish a low interest loan fund administered by LNEDC to assist with exterior renovations of commercial buildings in the downtown area. LNEDC contributed \$35,000 and DDA contributed \$100,000. These funds are restricted for loan purposes only. Upon dissolution of the Facade Grant Program, the \$100,000 will be paid to DDA as well as any interest earned on loans made, prorated between LNEDC and DDA. Included in the balance sheet under the captions "Other Receivables" and "Due to Affiliated Organization," are receivables and payables relating to this program.

NOTE 8 REAL ESTATE TRANSACTION

During the year ended April 30, 1994, the Organization was the recipient of a donation of real estate (Evangeline Hotel) from the State of Louisiana. LNEDC subsequently sold the property and received \$50,000 cash and a 15-year, six-percent promissory note for \$1,198,000 (which is subordinated to a construction mortgage obtained for renovations). The intent of the parties was that the buyer would pay accrued interest annually to the extent of surplus cash from operation of the property (after all operating expenses, debt service obligations, distributions required to be made to the purchaser of limited partnership interests and reasonable reserves).

All unpaid interest was accrued and deferred; but not compounded. Upon maturity of the note on March 1, 2010, LNEDC was to receive a donation of the property as payment of the outstanding balance of its mortgage and accrued interest receivable.

In accordance with ASC 360-20, Real Estate Sales, recognition of the profit on the sale of property was not reported since (1) the collectability of the sale price was reasonably not assured and (2) the earnings process was not complete. Since collectability of the entire sales price was questionable, management chose not to recognize either gain or the receipt of property.

During November 2010, the buyer transferred ownership of the Evangeline Hotel back to LNEDC in satisfaction of the indebtedness and did not paid any of the accrued and deferred interest. Since the date of transfer, the operations of the Evangeline Hotel have been included in the operations of LNEDC and are separately reflected in the attached combining financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS

On May 1, 2008, the Organization adopted the provisions of ASC 820-10, *Fair Value Measurement*. ASC 820-10 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted process included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by the Organization in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Accrued interest – The carrying amounts of accrued interest approximate their fair values.

The Organization's adoption of ASC 820-10 did not have a material impact on its financial statements. The Organization has no financial assets and liabilities that are measured at fair value on a recurring basis.

The Organization has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Nonrecurring Basis

Description	Fair Value Measurements at April 30, 2011			
	April 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans	\$ 112,646	\$ -	\$ -	\$ 112,646
Total	\$ 112,646	\$ -	\$ -	\$ 112,646

In accordance with the provisions of ASC 310-10, *Accounting by Creditors for Impairment of a Loan*, the Organization records loans considered impaired at their fair value. A loan is considered impaired if it is probable the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Fair value is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans with a carrying amount of \$168,828 were recorded at their fair value at April 30, 2011.



Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

We have audited the statement of financial position of the Lafayette Neighborhood's Economic Development Corporation (LNEDEC) (a nonprofit corporation) as of April 30, 2011, and the related statement of activities and cashflows for the year then ended, which expresses an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 13, 2011

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LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Combining Statements of Financial Position April 30, 2011

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Hotel	Eliminating and Combining	Combined Balance
ASSETS				
Cash and cash equivalents	\$ 265,146	\$ 89,250	\$ -	\$ 354,396
Loans receivable (net)	539,958	-	-	539,958
Accrued interest receivable	21,728	-	-	21,728
Rents receivable	-	16,665	-	16,665
Due from affiliated organization	1,300	-	(1,300)	-
Other receivables	25,094	1,030	-	26,124
Prepaid expenses	-	22,986	-	22,986
TOTAL CURRENT ASSETS	853,226	129,931		981,857
PROPERTY AND EQUIPMENT				
Buildings	-	1,500,000	-	1,500,000
Less: accumulated depreciation	-	(27,273)	-	(27,273)
	-	1,472,727	-	1,472,727
TOTAL ASSETS	\$ 853,226	\$ 1,602,658	\$ -	\$ 2,454,584
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable	\$ -	\$ 19,642	\$ -	\$ 19,642
Accounts payable	2,500	3,985	-	6,485
Tenant deposits	-	8,865	-	8,865
Due to affiliated organization	105,895	1,300	(1,300)	105,895
TOTAL CURRENT LIABILITIES	108,395	33,792	(1,300)	140,887
NET ASSETS				
Permanently restricted	744,831	1,568,866	-	2,313,697
TOTAL LIABILITIES AND NET ASSETS	\$ 853,226	\$ 1,602,658	\$ -	\$ 2,454,584

See independent auditor's report on additional information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Combining Statements of Activities
Year Ended April 30, 2011

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Hotel	Eliminating and Combining	Combined Balance
PERMANENTLY RESTRICTED NET ASSETS				
Revenue:				
Governmental grants	\$ -	\$ -	\$ -	\$ -
Interest:				
Loans	96,836	-	-	96,836
Investments	292	-	-	292
Rents:				
Residential	-	158,549	-	158,549
Commercial	-	26,620	-	26,620
Other	<u>1,956</u>	<u>4,308</u>	<u>-</u>	<u>6,264</u>
Total support and revenue	<u>99,084</u>	<u>189,477</u>	<u>-</u>	<u>288,561</u>
Expenses:				
Support services - Management and general	<u>74,726</u>	<u>159,090</u>	<u>-</u>	<u>233,816</u>
Increase in permanently restricted net assets	24,358	30,387	-	54,745
Net assets, beginning	<u>720,473</u>	<u>-</u>	<u>-</u>	<u>720,473</u>
Contributed assets	<u>-</u>	<u>1,538,479</u>	<u>-</u>	<u>1,538,479</u>
Net assets, ending	<u>\$ 744,831</u>	<u>\$ 1,568,866</u>	<u>\$ -</u>	<u>\$ 2,313,697</u>

See independent auditor's report on additional information.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

**Combining Schedule of Management and General Expenses
Year Ended April 30, 2011**

	Lafayette Neighborhood's Economic Development Corporation	Evangeline Hotel	Eliminating and Combining	Combined Balance
Advertising	\$ -	\$ 1,048	\$ -	\$ 1,048
Background checks	-	483	-	483
Bad debts	10,962	-	-	10,962
Contributions and sponsorships	900	-	-	900
Consulting	37,100	4,500	-	41,600
Depreciation expense	-	27,273	-	27,273
Donations	350	-	-	350
Insurance	500	14,976	-	15,476
Interest expense	841	667	-	1,508
Legal and professional	16,072	17,053	-	33,125
Meeting expense	874	-	-	874
Miscellaneous	549	687	-	1,236
Office expense	2,899	5,902	-	8,801
Postage	291	50	-	341
Repairs and maintenance	-	24,020	-	24,020
Security	-	16,744	-	16,744
Seminars	800	-	-	800
Sheriff commission	-	26,260	-	26,260
Telephone	2,588	3,090	-	5,678
Utilities	-	16,337	-	16,337
Total	<u>\$ 74,726</u>	<u>\$ 159,090</u>	<u>\$ -</u>	<u>\$ 233,816</u>

See independent auditor's report on additional information.

INTERNAL CONTROL AND COMPLIANCE



Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

We have audited the statement of financial position of the Lafayette Neighborhood's Economic Development Corporation (LNEDEC) (a nonprofit corporation) as of April 30, 2011, and the related statement of activities and cashflows for the year then ended. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered LNEDEC's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LNEDEC's internal control. Accordingly, we do not express an opinion on the effectiveness of LNEDEC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 11-1, 11-2 and 11-3, to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of LNEDEC are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. We describe the instances in the accompanying schedule of findings and questioned costs, as items 11-1 and 11-4.

LNEDEC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit LNEDEC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
December 13, 2011

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION
Summary Schedule of Prior Year Findings
Year Ended April 30, 2011

- 10-1 Finding: Incomplete Loan Files
 Status: This finding is unresolved. See current year finding 11-1.
- 10-2 Finding: Inadequate Segregation of Accounting Functions
 Status: This finding is unresolved. See current year finding 11-2.
- 10-3 Finding: Annual Monitoring
 Status: This finding is unresolved. See current year finding 11-1.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs Year Ended April 30, 2011

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unqualified opinion has been issued on the Lafayette Neighborhoods' Economic Development Corporation's (LNEDC) financial statements as of and for the year ended April 30, 2011.

Material Weaknesses - Financial Reporting

Three material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 11-1, 11-2 and 11-3 in Part 2.

Material Noncompliance - Financial Reporting

Two material instances of non-compliance were disclosed during the audit of the financial statements, and are shown as items 11-1 and 11-4 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2011.

Part 2: Findings Relating to an Audit in Accordance with Government Auditing Standards

11-1 Finding: Incomplete Loan Files and Annual Monitoring

LNEDC has a standard checklist for loans which details the documentation required on each loan. There is also a monitoring checklist which needs to be completed annually; however, in our review it was noted that despite request attempts made by LNEDC various loan files were found to be missing required borrower documentation.

Recommendation:

We recommend that LNEDC perform a thorough examination of the outstanding loan files and determine if the required documentation is on file. For those loans which lack required documentation or annual monitoring, LNEDC should obtain the necessary information; also, LNEDC should review the loan files subsequent to issuance and preferably annually, to ensure that documentation is current for all information required.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs
Year Ended April 30, 2011

11-2 Finding: Inadequate Segregation of Accounting Functions

Due to the small number of personnel, LNEDEC did not have adequate segregation of functions within the accounting system.

Recommendation:

Based on the size of the operation and the cost-benefit of additional accounting personnel, it may not be feasible to achieve complete segregation of duties.

11-3 Finding: Qualifications and Training

LNEDEC does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing its financial statements, including related notes.

Recommendation:

Based on the size of the operation and the cost-benefit of retaining someone with the needed qualifications it may not be feasible to have a staff person with these qualifications.

11-4 Finding: Timely Submission of Audit Report to the Legislative Auditor

Under Louisiana statute, LNEDEC is required to have an annual audit of its financial statements and to have the audit completed and filed with the Legislative Auditor of the State of Louisiana within six months of the close of the year end April 30. Due to LNEDEC requiring additional time to determine the value of an acquired asset, LNEDEC did not meet the October 31, 2011 deadline for reporting to the State of Louisiana and was not compliant with the Louisiana statute for completion of the annual audit. LNEDEC did request and receive a sixty day extension of time until December 31, 2011 from the Legislative Auditor to file its financial statements.

Recommendation:

LNEDEC should take steps to ensure the timely filing of its financial statements within six months of its year end closing.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2011, the LNEDEC did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Management's Corrective Action Plan for Current Year Findings
Year Ended April 30, 2011

Response to 11-1:

Incomplete Loan Files

LNEDC management has stated that loan reviews utilizing contract services of a consultant are continuing in the current period under audit. Reviews are being performed on existing loans and will continue with future loans to determine that all required documentation is present in the loans files maintained.

Response to 11-2:

Inadequate Segregation of Accounting Functions

No response is considered necessary.

Response to 11-3:

Qualifications and Training

LNEDC has evaluated the cost vs. benefit of establishing internal controls over the presentation of financial statements in accordance with GAAP, and has determined that it is in the best interest of LNEDC to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Response to 11-4:

Timely Submission of Audit Report to the Legislative Auditor

LNEDC management has stated that steps will be taken to ensure the timely performance and filing of the annual audit of its financial statements. Requests for filing extensions will not be necessary for future audits.